

Message Text

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1) LISTED BELOW, IN PRIORITY ORDER, ARE THE PRODUCT CATEGORIES WHICH WE BELIEVE HAVE THE HIGHEST POTENTIAL FOR INCREMENTAL EXPORT SALES IN INDONESIAN AND WHICH, IN OUR OPINION, WOULD BRING MAXIMUM RESULTS IF PROMOTED IN FY-1978.

A. TIMBER PROCESSING MACHINERY AND EQUIPMENT

B. CARGO AND MATERIALS HENDLING EQUIPMENT

C. MINING EQUIPMENT

D. EQUIPMENT FOR THE TEXTILE INDUSTRY.

2. A. TIMBER PROCESSING MACHINERY AND EQUIPMENT. THIS INDUSTRY WAS ALSO LISTED IN JAKARTA 7984 AND HAS BEEN THE SUBJECT OF PREVIOUS REPORTS. MARKET RESEARCH, FOR WHICH EMBASSY AWAITING SPECS., IS SCHEDULED IN THIS YEAR'S UNCLASSIFIED

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CCP. ALSO PER CCP A TRADE MISSION IS TENTATIVELY

SCHEDULED IN LATE 1976 OR EARLY 1977. SALES OF EQUIPMENT IN THIS FIELD MAY WELL STRETCH OVER A PERIOD OF YEARS. THEREFORE, DEPENDING UPON THE RESULTS OF MARKET RESEARCH, TRADE MISSION AND FUTURE DEVELOPMENTS, FURTHER PROMOTION MAY BE PRODUCTIVE IN FISCAL 1978.

B. CARGO AND MATERIALS HANDLING EQUIPMENT: JAKARTA 7984 GAVE DATA ON IMPORTS IN THIS FIELD. EMBASSY IS CURRENTLY PREPARING A PROMOTION THEME RECOMMENDATION WHICH WILL SUGGEST APPROPRIATE PROMOTIONAL VEHICLE.

C. MINING EQUIPMENT.
WITH THE BEGINNING OF THE POST-SUKARNO PERIOD, THE INDONESIAN GOVERNMENT SOUGHT A WAY TO MOBILIZE THE COUNTRY'S MINING POTENTIAL IN ECONOMIC DEVELOPMENT. A NUMBER OF NEW MINING VENTURES WERE STARTED, THE RESULTS OF WHICH BEGAN TO SHOW UP IN THE PRODUCTION AND EXPORT STATISTICS OF THE 1970'S. SINCE 1972, HOWEVER, AN INTRA-GOVERNMENT DEBATE OVER THE TERMS OF A NEW MODEL CONTRACT-OF-WORK FOR FOREIGN MINING COMPANIES HAS PREVENTED APPROVAL OF ALL BUT ONE NEW PROJECTS INVOLVING FOREIGN INVESTMENT. THERE ARE SOME 21 PENDING APPLICATIONS.
THUS, WHEN THE IMPASSE OVER THE CONTRACT OF WORK IS BROKEN, A RESURGENCE IN INVESTMENT IS LIKELY. IN OCTOBER OF THIS YEAR, A COAL MINING AGREEMENT WITH NV SHELL MIJNBOW WAS SIGNED WHICH AVOIDED THE CONTRACT OF WORK CONTROVERSY BY PROVIDING FOR PRODUCTION SHARING, THE SYSTEM UTILIZED IN INDONESIA'S PETROLEUM INDUSTRY. TOTAL INVESTMENT IS PROJECTED TO AMOUNT TO 1,200 MILLION U.S. DOLLARS. (SEE JAKARTA A-12668 AND A-145).
JAKARTA'S INDUSTRIAL OUTLOOK REPORT: MINERALS, A-90, JUNE 17, 1975, DESCRIBES CURRENT DEVELOPMENTS IN INDONESIA'S MINING INDUSTRY AND DISCUSSES A NUMBER OF PROJECTS WHICH MAY OFFER POTENTIAL FOR SIGNIFICANT U.S. SALES OF MINING EQUIPMENT OVER THE NEXT FIVE YEARS. FURTHER INVESTIGATION MAY UNCOVER THAT HEAVY INVOLVEMENT OF FOREIGN FIRMS IN THESE PROJECTS MAY MEAN THAT THE PURCHASING DECISIONS WILL BE MADE OUTSIDE INDONESIA. HOWEVER, GOVERNMENT POLICIES REQUIRING INCREASING PARTICIPATION BY INDONESIAN FIRMS MAKE IT LIKELY THAT AT LEAST SOME OF THE

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SALES WILL BE MADE IN INDONESIA.
DUE TO THE UNPREDICTABILITY OF GOVERNMENT ACTIONS IN THIS SECTOR, IT IS TOO EARLY TO DETERMINE EITHER THE TIMING OR APPROPRIATE VEHICLE FOR A PROMOTIONAL EVENT. THE EMBASSY WILL REPORT FURTHER DEVELOPMENT AND MAKE RECOMMENDATIONS AS APPROPRIATE.

D. EQUIPMENT FOR THE TEXTILE INDUSTRY.

THE TEXTILE INDUSTRY, ALREADY A KEY INDUSTRY IN THE FIRST FIVE YEAR PLAN, REPELITA I, IS ASSIGNED A MAJOR ROLE IN THE DEVELOPMENT OF THE INDUSTRIAL SECTOR IN REPELITA II. THE SOCIAL OBJECTIVES OF REPELITA II FOR THE TEXTILE INDUSTRY ARE TO PROVIDE ADEQUATE SUPPLIES OF CLOTHING FOR THE PEOPLE AND SECONDARILY, TO PROVIDE EMPLOYMENT AND TO REPLACE IMPORTS WITH DOMESTIC GOODS. THE PLANNED TARGET IS FOR NEAR SELF-SUFFICIENCY IN TEXTILES BY 1978/79.

EFFORTS TO INCREASE PRODUCTION WILL BE CARRIED OUT BOTH BY MODERNIZING EXISTING PLANT AND BY EXPANDING. IN ORDER TO CORRECT A CURRENT BALANCE BETWEEN THE PRODUCTION OF YARN AND TEXTILES, EMPHASIS WILL BE PLACED ON EXPANDING PRODUCTION OF THE FORMER. YARN PRODUCTION IS PROJECTED TO INCREASE 90 PERCENT OVER THE FIVE-YEAR PERIOD, FROM 486 THOUSAND TO 898 THOUSAND BALES WHILE TEXTILE PRODUCTION IS PROJECTED TO INCREASE 30 PERCENT, FROM 930 MILLION TO 1,250 MILLION METERS. TO REDUCE THE INDUSTRY'S DEPENDENCE ON IMPORTS OF RAW MATERIALS AND INTERMEDIATE GOODS, INVESTMENT WILL ALSO BE MADE IN PETRO-CHEMICALS, FIBER MANUFACTURING, RAYONS AND PLANTING OF COTTON. THE CLOTHING INDUSTRY WILL ALSO BE PROMOTED AS WILL DYEING, FINISHING AND PRINTING ACTIVITIES.

THERE IS AN APPARENT OPPORTUNITY TO SELL A FULL RANGE OF TEXTILE MACHINERY, INCLUDING WEAVING AND SPINNING MACHINERY, DYEING, FINISHING AND PRINTING EQUIPMENT AND SEWING MACHINES. NEVERTHELESS, EMBASSY'S IMPRESSION OF THE EXISTANCE OF AN OPPORTUNITY TO PROMOTE U.S. EXPORTS IS BASED PRIMARILY ON REPELITA II AND IS VERY PRELIMINARY. CONTRACT MARKET RESEARCH TO DETERMINE THE SIZE OF THE POTENTIAL MARKET, COMPETITIVENESS OF AMERICAN PRODUCTS AND APPROPRIATE PROMOTIONAL TOOLS WOULD BE AN ABSOLUTE PREREQUISITE TO PLANNING ANY PROMOTIONAL ACTIVITIES.

FURTHER INFORMATION IS AVAILABLE IN REPELITA II, CHAPTER 13, PP. 26-33.

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